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## Bush's call for tax reform gets mixed reaction in Silicon Valley

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Associated Press

**SANTA CLARA, Calif.** -President Bush promised to jump start the national economy through aggressive income tax cuts on his swing through financially strapped Silicon Valley, but some skeptics here blasted his plans as irresponsible.

Speaking to about 400 supporters Friday at the offices of United Defense Industries, Bush touted his \$550 billion tax cut plan, promising it would create as many as 1 million new jobs by 2004. Eliminating taxes that individuals pay on stock dividends would encourage companies to boost profits and hire new workers, he said in repitching a proposal under debate in Congress.

"The best way to create growth is to let people keep more of their own money," Bush told employees and guests of UDI, which supplied Bradley Fighting Vehicles for the Iraq war. "Our economy needs a shot in the arm now."

Venture capitalists, defense contractors and others in the audience cheered Bush's proposal, which calls for an income tax reduction of more than \$1,000 for a family of four with an annual household income of \$40,000. It also calls for lower taxes for small business owners.

The cuts would last through 2013.

"Silicon Valley is looking for an economic turnaround, and that's what Bush is delivering," said John Gable, 37, a co-founder of Menlo Park-based Internet service provider Kavi Corp., which recently downsized from 30 to 20 employees. "I'm not a Nobel laureate, but I know that paying less money in taxes directly affects my ability to hire people and raise money."

Gregory W. Slayton, managing director of Palo Alto-based venture firm Slayton Capital and chairman of the Silicon Valley Bush 2000 campaign, said tax cuts would boost business investment, shrink government and win Bush votes - even in the Democratic stronghold of Northern California.

In the 1950s and '60s, the growth of defense companies such as Lockheed Aircraft Corp. in the orchards surrounding San Jose earned the region the nickname "Defense Valley." But with the end of the Cold War, the region became a magnet for biotechnology, consumer electronics, software development and even alternative energy companies.

Far from the tanks, amphibious vehicles and American flags that decorate UDI's industrial complex, hundreds of protesters lined Santa Clara's streets and mocked the tax plan.

Several politicians and economists also condemned the proposition that the tax cuts could provide long-term relief for a region where unemployment hovers at 8.4 percent - compared to a national rate of 6 percent. The downturn has sapped morale and stifled technology research throughout a region that is historically an economic dynamo.

Santa Clara County, epicenter of the nation's technology industry, lost nearly 150,000 jobs from January 2002 to February 2003, according to the Bureau of Labor Statistics. San Jose, home to dozens of software startups and technology bellwethers such as Adobe Systems Inc. and eBay Inc., lost more than 15 percent of its jobs in the same period.

"We have been losing jobs at an alarming rate, and the president comes here to stump for his irresponsible tax cut?" Rep. Sam Farr, D-Carmel, said in a release issued during Bush's speech. "It didn't work for Reagan, it didn't work for Bush I and it hasn't worked for Bush II."

Bush's tax cut might provide a short-term boost in consumer spending, said Robert Arnold, an economist at the Center for the Continuing Study of the California Economy - but at the expense of education and other long-term programs.

"What the tax cut adds up to is that kids in school pay the price of a recession and a stock market collapse - isn't that wonderful?" Arnold said.

Even some hand-picked audience members bristled at Bush's speech, in which he lavished praise on private companies that develop the hardware and software which made American weaponry the world's most advanced.

"For Bush to come here and talk about defense contracts - that's not going to cut it anymore," said Thy Duong, a 24-year-old Livermore resident and information technology consultant to ChevronTexaco. "Thirty years ago ... that would have been enough. Today, it doesn't help people get jobs."

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